Date 2 May 2019

Dr Brian Spalding
Chairman and AEMC Commissioner
Reliability Panel
C/- Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Dr Spalding

Reliability Panel Consultation - Definition of Unserved Energy

Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy) welcome the opportunity to provide comment to the Reliability Panel on its Consultation Paper *Definition of Unserved Energy*. In particular, the Reliability Panel is seeking views on the Chapter 10 (of the National Electricity Rules) definition of unserved energy; the contingency-based framework; power system security events; and reliability-related interventions.

In response to the Reliability Panel's invitation to provide comment, Energex and Ergon Energy provide responses to the questions raised in the Consultation Paper in the attached table.

Should you require additional information or wish to discuss any aspect of this submission, please contact me on (07) 3851 6787 or Andrea Wold on (07) 3664 4970.

Yours sincerely

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Manager Policy and Regulatory Reform

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Encl *– Energex and Ergon Energy comments on the Consultation Paper*

AEMC Heading	Energex and Ergon Energy Comments
Question 1: Definition of Unserved Energy in Chapter 10 of the NER	
Do stakeholders agree that the definition of unserved energy in Chapter 10 of the NER lacks clarity? If so, how should it be clarified?	It is recognised that the term "unserved energy" can have different meanings within different functions of the electricity supply chain. For example, unserved energy is used by the Australian Energy Regulator to refer to energy unsupplied following a network outage. In addition, some Distribution Network Service Providers report unserved energy in Regulatory Information Notices. If it is the intent of the Reliability Panel that the unserved energy term only apply to wholesale market shortfalls, then the definition should be amended to expressly reflect this intent.
Question 2: Contingency-Based Definition of Unserved Energy	
Do stakeholders see particular benefits in maintaining contingency events as a base for the definition of unserved energy?	We are of the view that credible contingency events, and particularly the largest credible contingency event, should be among the factors included in forecasting unserved energy, but should not serve as the sole basis for the definition due to the evolving nature of the power system. The Reliability Panel in section *1.1 Information to the market* section of its Consultation Paper provides the "*expected values of unserved energy outcomes are proportional to their likelihood of occurring*". Considering any correlation between likelihood and consequence is complex, we suggest market participants would benefit from an enhanced understanding of the grading methodology of unserved energy outcomes.

AEMC Heading	Energex and Ergon Energy Comments
Do stakeholders have any views on whether or not the distinction between events that are included and events that are excluded from the definition of unserved energy need to be simpler and clearer? If so, do stakeholders have any suggestions as to how this could occur?	We provide no comment.
Question 3: Power System Security Events	
Do stakeholders agree that all power system security events should be explicitly excluded from the definition of unserved energy?	We are of the view that explicitly excluding power system security events from the definition of unserved energy underestimates the risks of changing reliability and security levels in an environment where the networks are evolving. Instead we suggest that more detailed analysis of the correlation between reliability, system security, unserved energy and Lack of Reserves, and how they relate to regional drivers, be undertaken.
Question 4: Definition of Unserved Energy	
Do stakeholders agree that AEMO's reliability-related interventions should be included into the definition of unserved energy? If so, to what extent should they be included and which of the three options described above is preferred?	In our view, the definition of unserved energy must include load that was shed to address a supply shortfall. If Reliability and Emergency Reserve Trader (RERT) resources were required to serve energy demand, it is by definition not unserved. However the dispatch of RERT reserves should be separately analysed to determine optimal generation levels, and lower-cost measures

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	available to supply that additional load. At face value, we are of the view that Option 3 *calculating two unserved energy figures for the purpose of the reliability standard* (excluding and including reliability-related interventions) more accurately reflects the market's ability to supply customer demand. However, we suggest that additional analysis be undertaken for all three of the Reliability Panel's reported options to ensure the most effective option is ultimately selected.
Question 5: Matching Consumer Experience of Supply Interruptions	
Do stakeholders agree with the Panel's view that supply interruptions other than wholesale-level reliability interruptions should remain excluded from the unserved energy definition?	If "other supply interruptions" are not included in the definition, we question how these outages are to be defined, and how this may affect the Value of Customer Reliability framework which applies to Network Service Provider planning guidelines and decision making. While we are not necessarily opposed to tightening the definition of unserved energy, consequential effects must be considered and addressed prior to change being effected.
Question 6: Voluntary Curtailment or Demand Response	
Do stakeholders agree with the Panel's view that voluntary curtailment and in-market demand response should remain excluded from the definition of unserved energy?	We are of the view that voluntary load reduction can be considered 'in market' where the participant is adequately compensated.